



STRAUSS GROUP REPORTS 2008 RESULTS WITH SIXTH CONSECUTIVE YEAR OF GROWTH IN SALES AND PROFIT

FINANCIAL HIGHLIGHTS:

Annual 2008

- Annual Group sales reached NIS 6.2 billion, an increase of 5%; Organic growth, net of exchange rate impacts, totaled 7.6%.
- Reported annual operating profit totaled NIS 480 million, compared to NIS 499 million last year; Operating profit, on a pro-forma basis, totaled NIS 522 million compared to NIS 512 million in 2007.
- Reported annual net profit reached NIS 462 million, compared to NIS 248 million last year; Annual net profit, on a pro-forma basis, reached NIS 285 million, compared to NIS 274 million last year.

Fourth Quarter

- Sales in Q4 totaled NIS 1.56 billion, a decrease of 0.5%; Organic growth, net of exchange rate impacts, totaled 5.4%.
- Q4 reported operating profit reached NIS 100 million, compared to NIS 99 million in 2007; Operating profit for Q4, on a pro-forma¹ basis, totaled NIS 101 million compared to NIS 111 million last year
- Q4 reported net profit reached NIS 73 million, compared to NIS 42 million in Q4 2007; Net profit, on a pro-forma basis, totaled NIS 56 million compared to NIS 59 million in Q4 2007.

Tel Aviv, March 25, 2009 – The Strauss Group (STRS.TA) today reported its results for the fourth quarter and full year 2008.

Ofra Strauss, Chairperson of Strauss Group, said today, "Throughout 2008 Strauss continued to grow and expand, primarily outside of Israel, while navigating a highly complex and challenging year. In parallel to this strong growth and geographic expansion, we continued to strengthen our core foundations and enhance our long term strength and sustainability, which is ever more relevant and critical in the current environment. "

¹ Pro-forma- net of employees options, hedging transactions, inventory and fix assets write-off and non recurring other income (capital gains) other expenses (capital losses, write offs)



Erez Vigodman, President & CEO of Strauss Group, said today, "This year we continued to grow and drive profitability for the sixth year in a row, while managing the unprecedented macro challenges the year brought, developing and enhancing both our core business and financial strength. We focused and optimized the activities in Israel, while continuing to grow and expand overseas, this, while building infrastructure and forging major partnerships, to support our continuous and rapid growth of both the global coffee company as well as the Sabra operations in North America.

In addition, this year we further equipped the organization to navigate the macro economic challenges expected in 2009, granting us the resources to identify potential opportunities in the current market. "

Main data for the full year and fourth quarter (NIS millions):

	Full Year			Fourth Quarter		
	2008	2007	% Chg	2008	2007	% Chg
Sales	6,245.9	5,960.9	4.8	1,564.2	1,572.5	-0.5
Financial accounting gross profit	2,276.5	2,234.9	1.9	568.3	577.2	-1.5
Pro-forma operating profit	521.9	512.2	1.9	100.8	111	-9.2
Financial accounting operating profit (1)	480.3	499.0	-3.7	99.6	99.2	0.4
Pro-forma net profit (2)	284.9	273.8	4.1	56.1	58.9	-4.8
Financial accounting net profit (2)	461.5	247.8	86.2	73	41.9	74.2

(1) Before other income (expenses)

(2) Attributed to the shareholders of the Company

Sales

In 2008 Strauss Group sales increased 4.8% totaling NIS 6,245.9 million, compared to NIS 5,960.9 million last year. This growth was despite the challenging macro-economic environment. Organic growth, net of the impact of changes in currency exchange rates and the acquisition and sale of businesses in 2008, amounted to 7.6%.

The Group's sales in the fourth quarter totaled NIS 1,564.2 million compared to NIS 1,572.5 million last year, a decrease of 0.5%. Organic growth, net of the impact of changes in currency exchange rates in the fourth quarter, amounted to 5.4%.

In 2008 the Group successfully overcame the increase in both raw material and energy prices by streamlining all areas of the Group's activity, together with raising product prices in all markets. Despite this leading to erosion in the Group's gross profit rate, it also led to an improvement in the consolidated management accounting operating profit.

Operating Profit (before other income (expenses))

The reported operating profit (before other expenses) totaled NIS 480.3 million in 2008, or 7.7% of sales, compared to NIS 499.0 million, or 8.4% of sales, in 2007, a decrease of 3.7%.



The pro-forma operating profit totaled NIS 521.9 million in 2008, or 8.4% of sales, compared to NIS 512.2 million, or 8.6% of sales, in 2007, an increase of 1.9%.

The reported operating profit in the fourth quarter totaled NIS 99.6 million compared to NIS 99.2 million in the corresponding period last year, an increase of 0.4%.

The pro-forma operating profit in the fourth quarter totaled NIS 100.8 million compared to NIS 111.0 million in the corresponding period last year, a decrease of 9.2%. The decrease in the pro-forma profit follows the decrease in the gross profit.

Income for the Period (for the Shareholders of the Company)

The net profit to the shareholders of the Company in the reported period amounted to NIS 461.5 million, compared to NIS 247.8 million in the corresponding period last year, an increase of 86.2%. This increase is due mainly to capital gains in respect of the allotment of 25.1% of the shares of Strauss Coffee, the transition from full to proportionate consolidation of the Sabra business, and the sale of the distribution business to the Kosher market in the US (Blue & White).

The pro-forma net profit for the year increased 4.1% to NIS 284.9 million in 2008, compared to NIS 273.8 million in 2007.

The net profit to the shareholders of the Company in the fourth quarter amounted to NIS 73.0 million compared to NIS 41.9 million in the corresponding period last year, an increase of 74.2%.

The pro-forma net profit to the shareholders in the fourth quarter amounted to NIS 56.1 million compared to NIS 58.9 million in the corresponding period last year, a decrease of 4.8%.

Results by Business Units

The Israeli Sector – Strauss Israel

During the year Strauss Israel assimilated a new brand portfolio, with emphasis on the corporate brand, Strauss. Furthermore, since September both the corporate logo and the new Elite logo have been featured on the Company's products.

The packaging of all of the Company's products will gradually be adapted to the new identity and linked to the corporate brand, in a manner preserving the uniqueness of each brand, while linking them all to one company.

In 2008 Strauss Israel focused on the implementation of the streamlining plan and new organizational structure (Horizon), providing a response to consumer trends in a new divisional deployment. The new organizational structure supports these streamlining efforts and has equipped the Company with tools to cope with the current macro challenges.



Additionally, in 2008 the project for merging the information systems in the Sales Division (SAP SD) was completed, and the activity in Israel has begun to benefit from working with a system for the management of sales, distribution and logistics that is among the most advanced of its kind in the world.

Sales – In 2008 the sales for all of the Strauss Israel sector, including the coffee business in Israel, net of the industrial activity, increased by 3.3%.

Sales by the Israeli sector (excluding coffee) totaled NIS 2,671.2 million, and, net of the industrial activity (sold in January 2008), Israel sales increased by 2.4%.

In the fourth quarter the sales for all of the Strauss Israel sector, including the coffee business and net of the industrial activity, decreased by 1.5%. The sales turnover of the Israeli sector (excluding coffee) decreased by 2.9% in the quarter, and net of the industrial activity sales decreased by 0.7%.

Operating Profit

The operating profit in Israel increased by 5.5% in 2008 following an improvement in the cost structure. The operating profit, as a percentage of sales, increased in 2008, reaching 10.3% compared to 9.7% last year.

Despite the decrease in the gross profit in the fourth quarter, the operating profit in the Israeli sector rose by 1.5% as a result of the improvement in the cost structure of this activity. The operating income rate in the fourth quarter amounted to 9.3% compared to 8.9% in the corresponding period last year.

The Coffee Sector

Sales – in 2008 Strauss's coffee business grew by 11.9% and totaled NIS 3,243.2 million. Net of the impact of currency exchange rates, Strauss coffee business grew by 18.6%. Organic growth (net of the acquisition of businesses and the impact of exchange rate differentials) amounted to 9.9%.

Growth in the coffee business in Israeli Shekels was adversely impacted by the sharp changes in the exchange rates of the different operating currencies. Although the growth in business is evident in all clusters, growth was especially strong in the Company's activity in the former Soviet Union countries (following the acquisition of the coffee brands of Cosant Enterprises Ltd. in the CIS countries), Israel, Poland and Brazil.

The AFH (Away-From-Home) business grew by 6.1% in 2008 and accounted for 12.7% of the coffee business, compared to 13.5% last year.

The growth in sales was positively influenced by the growth in volumes, organic growth in most countries, mergers and acquisitions and by raising sales prices. Growth was negatively influenced by the sharp changes in the exchange rates of the various currencies.



In the fourth quarter the coffee sector grew by 3.9% and sales totaled NIS 833.5 million. Net of the impact of currency exchange rates, coffee sector sales in the fourth quarter grew by 20.4% and organic growth (net of the acquisition of businesses and the impact of exchange rate differentials) amounted to 7.6%.

In the course of 2008 the Company continued to expand in line with its strategy to become a leading global coffee company. These actions included the introduction of the private equity investment fund TPG Capital as a partner in the coffee company, the acquisition of Cosant Enterprises Ltd.'s instant and R&G (roast and ground) coffee brands in Russia, and the acquisition of DonCafé Albania and the rights to the brand in 11 other countries.

The operating income of the coffee business totaled NIS 255.2 million (7.9% of sales) in 2008 compared to NIS 231.3 million (8.0% of sales) last year, an increase of 10.3%. The operating profit was influenced by the accelerated growth and by the growth in the gross profit.

In the fourth quarter, the operating profit totaled NIS 38.9 million (4.7% of sales) compared to NIS 41.5 million (5.2% of sales) in the corresponding quarter last year, a decrease of 6.3%. The decrease in the operating profit was influenced mainly by the decrease in the gross profit, an increase in marketing expenses for the re-branding of DonCafe in Romania and an increase in selling expenses in Brazil due to the continued geographical expansion.

The Sabra Refrigerated Flavored Dips Business in the USA

Commencing in the second quarter of 2008 the Company proportionately consolidated the Sabra business (50%) according to the rate of its holding following the closing of the transaction with PepsiCo (50%).

In 2008 Sabra's pro-forma sales (assuming the full consolidation of Sabra's business) totaled NIS 300.0 million compared to NIS 254.0 million last year, an increase of 18.1%, and after neutralizing the impact of the erosion of the Dollar in relation to the Shekel, pro-forma growth in 2008 totaled 35.0%².

In the fourth quarter Sabra's pro-forma sales totaled NIS 89.0 million compared to NIS 67.0 million last year, an increase of 32.8%, and after neutralizing the impact of the erosion of the Dollar in relation to the Shekel, pro-forma growth in the quarter totaled 39.3%.

Operating profit in 2008 (assuming Sabra's activity was fully consolidated) amounted to approximately NIS 35 million compared to NIS 33 million. In the fourth quarter operating profit amounted to approximately NIS 8 million last year similar.

² In the Group's management accounting (pro-forma) reports Sabra is proportionately consolidated beginning in the second quarter. For the sake of comparison, Sabra's results are presented here pro-forma, as if Sabra were fully consolidated in the reported period as well.



Sabra continued to expand and enhance its activities in the leading North American retail chains, while constantly striving to innovate. Sabra has continued to grow its market share and to maintain its leading position in the refrigerated flavored spreads category. Sabra's average market share in 2008 was 31.8%, compared to an average market share of 25.8% in 2007 (according to IRI figures published on December 28, 2008). In the fourth quarter Sabra maintained its growth trend, and its average market share reached 34.2%.

In 2008, as a result of Sabra's rapid growth and the need to increase production capacity in order to meet demand, it was decided to invest up to \$68 million for the construction of a modern, state-of-the-art salad factory. The plant, which is expected to open in Virginia in 2010, will be one of the most sophisticated of its kind and based on cutting-edge production technology.

Activity in the Kosher Market in North America

In 2008 Kosher market sales totaled NIS 63.0 million compared to NIS 41.0 million in 2007. In the fourth quarter sales to the Kosher market totaled NIS 19.0 million compared to NIS 11.0 million in the corresponding period last year. On December 31, 2008 the Company signed a binding agreement for the sale of its holdings (51%) in Blue & White Foods LLC. For more information, see Note 5.9 to the Annual Financial Statements.

The Max Brenner Business

As at the end of 2008, 24 Max Brenner Chocolate Bars were in operation around the world: 6 in Israel, 2 in the US, 2 in the Philippines, 1 in Singapore and 13 in Australia. Seven branches are owned by the Company, and all other branches are operated under franchise.

In 2008 Max Brenner sales totaled NIS 94.8 million compared to NIS 95.7 million last year, a decrease of 0.9%. Net of the impact of the erosion of the Dollar in relation to the Shekel, Max Brenner sales grew by 4.1% from 2007.

In the fourth quarter Max Brenner's sales totaled NIS 24.8 million compared to NIS 27.2 million last year, a decrease of 8.8%. Net of the impact of the erosion of the Dollar in relation to the Shekel, the decrease in fourth quarter sales amounted to 7.4%., compared to the fourth quarter last year.

About Strauss Group:

Strauss Group, Israel's second largest food and beverage conglomerate, has, over the past few years, become an international corporation with a steadily growing part of its business conducted outside of Israel. The Group employs 11,600 people and operates nineteen production sites in eleven countries.



The Group focuses on key consumption trends in the food industry via three business divisions in Israel: Health & Wellness, Fun & Indulgence, and Coffee. The Group continuously expands its business activities outside of Israel, at present primarily through the Coffee Company, which is positioned as one of the world's ten largest coffee companies, leading markets in Israel, Central and Eastern Europe, and Brazil.

The Group collaborates with a number of leading multinationals – Danone, PepsiCo and Lavazza – and is traded on the Tel Aviv 25 Index.

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Table 1

Following are the condensed financial accounting statements of income for the years and quarters ended December 31, 2008 and 2007 (in NIS millions):

	For the Years			For the Three Months		
	2008	2007	% change	2008	2007	% change
Sales	6,245.9	5,960.9	4.8	1,564.2	1,572.5	-0.5
Cost of sales not including impact of hedging transactions	3,959.8	3,721.0	6.4	997.1	990.3	0.7
Revaluation of the balance of hedging transactions on commodities as at the end of the period	9.6	5.0		(1.2)	5.0	
Cost of sales	<u>3,969.4</u>	<u>3,726.0</u>	6.5	<u>995.9</u>	<u>995.3</u>	0.1
Gross income	2,276.5	2,234.9	1.9	568.3	577.2	-1.5
Selling and marketing expenses	1,426.8	1,376.8	3.6	373.7	382.2	-2.2
General and administrative expenses	<u>369.4</u>	<u>359.1</u>	2.9	<u>95.0</u>	<u>95.8</u>	-0.8
Operating income before other income (expenses)	480.3	499.0	-3.7	99.6	99.2	0.4
Other income (expenses), net	<u>208.3</u>	<u>(18.1)</u>		<u>18.1</u>	<u>(9.3)</u>	
Operating income after other income (expenses)	688.6	480.9	43.2	117.7	89.9	30.9
Financing expenses, net	<u>(72.0)</u>	<u>(77.5)</u>	-7.1	<u>(12.3)</u>	<u>(13.8)</u>	-10.9
Income before taxes on income	616.6	403.4	52.9	105.4	76.1	38.5
Taxes on income	<u>(109.3)</u>	<u>(110.6)</u>	-1.2	<u>(19.2)</u>	<u>(21.8)</u>	-11.9
Effective tax rate	17.7%	27.4%		18.2%	28.6%	
Income for the period	<u>507.3</u>	<u>292.8</u>	73.3	<u>86.2</u>	<u>54.3</u>	58.7
Income attributed to shareholders of the Company	461.5	247.8	86.2	73.0	41.9	74.2
Income attributed to minority interest	<u>45.8</u>	<u>45.0</u>	1.8	<u>13.2</u>	<u>12.4</u>	6.5



Table 2

Following are the condensed results of business operations (based on the Company's management accounting statements) for the years and quarters ended December 31, 2008 and 2007 (in NIS millions):

	For the Years			For the Three Months		
	2008	2007	% change	2008	2007	% change
Sales	6,245.9	5,960.9	4.8	1,564.2	1,572.5	-0.5
Cost of sales	<u>3,957.5</u>	<u>3,721.0</u>	6.4	<u>997.0</u>	<u>990.3</u>	0.7
Gross income	2,288.4	2,239.9	2.2	567.2	582.2	-2.6
Selling and marketing expenses	1,423.3	1,380.1	3.1	377.5	382.2	-1.2
General and administrative expenses	<u>343.2</u>	<u>347.6</u>	-1.3	<u>88.9</u>	<u>89.0</u>	-0.1
Operating income – management accounting	521.9	512.2	1.9	100.8	111.0	-9.2
Financing expenses, net	<u>(72.0)</u>	<u>(77.5)</u>	-7.1	<u>(12.3)</u>	<u>(13.8)</u>	-10.9
Income before taxes on income	449.9	434.7	3.5	88.5	97.2	-9.0
Taxes on income	<u>(115.4)</u>	<u>(116.2)</u>	-0.7	<u>(17.2)</u>	<u>(25.9)</u>	-33.6
Income for the period – management	334.5	318.5	5.0	71.3	71.3	-
Income attributed to shareholders of the Company	284.9	273.8	4.1	56.1	58.9	-4.8
Income attributed to minority interest	<u>49.6</u>	<u>44.7</u>	11.0	<u>15.2</u>	<u>12.4</u>	22.6



Table 3

Following are the condensed results of business operations (based on the Company's management accounting statements) of the business sectors for the years and quarters ended December 31, 2008 and 2007 (in NIS millions):

	For the Years			For the Three Months		
	2008	2007	%	2008	2007	%
Israel*						
Net sales**	2,671.2	2,673.1	-0.1	645.2	664.5	-2.9
Gross income	1,080.0	1,101.1	-1.9	269.3	272.4	-1.1
Operating income	273.9	259.7	5.5	60.2	59.3	1.5
Coffee						
Net sales	3,243.2	2,897.4	11.9	833.5	802.4	3.9
Gross income	1,044.3	944.5	10.6	252.0	255.9	-1.5
Operating income	255.2	231.3	10.3	38.9	41.5	-6.3
Other***						
Net sales	331.5	390.4	-15.1	85.5	105.6	-19.0
Gross income	164.1	194.3	-15.5	45.9	53.9	-14.8
Operating income (loss)	(7.2)	21.2	-134.0	1.7	10.2	-83.3
Total						
Total net sales (1)	6,245.9	5,960.9	4.8	1,564.2	1,572.5	-0.5
Total gross income	2,288.4	2,239.9	2.2	567.2	582.2	-2.6
Total operating income	521.9	512.2	1.9	100.8	111.0	-9.2

* Not including Israel Coffee sales and without neutralizing the impact of the sale of the industrial activity in Israel in 2007.

** In 2007, including the industrial market activity that was terminated and sold, in an amount of NIS 65.7 million in 2007 and NIS 14.8 million in the fourth quarter of 2007.

*** Sabra sales partially consolidate since the second quarter of 2008.



Table 4

Consolidated Balance Sheet (in NIS million):

	As at December 31			
	2008		2007	
	Millions NIS	%	Millions NIS	%
Cash and Marketable Securities	713	13.1%	549	11.0%
Accounts Receivables	949	17.5%	899	18.0%
Other Accounts Receivables	305	5.6%	254	5.1%
Inventory	814	15.0%	621	12.5%
Investments & Long Term Loans	113	2.1%	140	2.8%
Fixed Assets	1,230	22.6%	1,218	24.4%
Intangible Assests	1,226	22.6%	1,223	24.5%
Other Assets	85	1.5%	84	1.7%
Total Assets	5,435	100.0%	4,988	100.0%
Current Bank Liabilities	314	5.8%	319	6.4%
Accounts Payables	757	13.9%	723	14.5%
Other Creditors	513	9.4%	699	14.0%
Long Term Liabilities	1,152	21.2%	1,280	25.7%
Minority interest	858	15.8%	201	4.0%
Group Equity	1,841	33.9%	1,766	35.4%
Total Liabilities & Equity	5,435	100.0%	4,988	100.0%